

FCR 10

Office of the President
September 11, 2012

Members, Board of Trustees:

LEASE/PURCHASE OF MEDICAL EQUIPMENT

Recommendation: that the Board of Trustees approve a \$10 million UK HealthCare Enterprise Medical Equipment Lease/Purchase Pool for FY 2012-13 and declare official intent to reimburse capital expenditures for medical equipment from a future debt obligation. The equipment will be located within the various facilities of UK HealthCare including but not limited to Chandler Medical Center and Good Samaritan Hospital.

Background: At the September 11, 2007 meeting, the Board delegated to the Executive Vice President for Finance and Administration the responsibility for managing University debt related to the lease/purchase of equipment and information technology items costing less than \$200,000. However, acquisitions of major equipment and information technology items costing \$200,000 or more where the method of procurement involves debt in the form of capitalized lease obligations are to be submitted to the Board for approval.

US Department of Treasury regulations related to use of proceeds of tax-exempt bonds or notes require that the borrower make a Declaration of Official Intent to reimburse itself for capital expenditures made prior to the issuance of the debt (also known as a “Reimbursement Resolution”).

The medical equipment lease/purchase pool will allow funding flexibility with regard to various medical equipment purchases to be initiated by UK HealthCare. The pool is needed for cash-flow management purposes as UK HealthCare proceeds with several cash-intensive projects including the electronic medical record development for required conversion to ICD-10 format which provides increased levels of specificity for defining diagnosis and treatment. The medical equipment that may be purchased includes but is not limited to: information technology hardware and software; surgical, radiologic, and patient monitoring equipment; laboratory analyzers and instruments; and other procedure specific equipment. The lease/purchase pool will be funded by UK HealthCare’s revenues.

The University’s Debt Committee has reviewed the proposal and determined that acquisition of these items by lease/purchase up to \$10 million is consistent with the University’s Debt Policy.

Action taken: Approved Disapproved Other _____